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*With the compliments  
of Edward Atkinson.*

THE USE AND ABUSE

OF

LEGAL TENDER ACTS.

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*TRUE AND FALSE BIMETALLISM.*

BY

EDWARD ATKINSON, LL.D., PH.D.



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## THE STANDARD OF VALUE.

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THE subsequent letter so fully and rightly commended by the Editor of the "Journal of Commerce and Commercial Bulletin," of New York, will serve as a most fitting introduction to this treatise.

"The following comes to us with a very modest tender. We have never before seen so much truth on the currency question clearly and logically expressed in so few words. The writer has proved his claim to a further hearing:—

"FAR ROCKAWAY, March 18, 1895.

*"To the Editor of the Journal of Commerce and Commercial Bulletin:—*

"The standard of the value of a thing is the benefit that can be derived from it. All things are of a comparative value, and no one thing can regulate the value of all other things; because the value of things is regulated according to the labor of their production, the necessity for their use, and the benefit to be derived from them. The price of a thing is what the owner asks for it; its value is what he can get for it. No metal of any kind can regulate the value of corn any more than corn can give the value of gold. Gold and silver are the principal metals to represent the price of things and pay balances of exchange, but do not determine their value, for a loaf of bread would sustain life no longer whether it cost a dime or a dollar. It does not change the productions of the country whether there is more or less of currency as long as there is enough to pay balances, for supply and demand regulate production; but sufficient currency facilitates trade. There cannot be two standards any more than there can be two Gods; for only one unchangeable thing is a standard. Gold is the best metal yet discovered to pay balances and represent the value of things; but it cannot determine their value any more than any other metal; for it is as liable to change in value as other things. There is nothing better at present for subsidiary currency than silver, nickel and copper coin.

"R. M."\*

\* RICHARD MOTT, Jr.

# THE USE AND ABUSE OF LEGAL TENDER ACTS.

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## TRUE AND FALSE BIMETALLISM.

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### I.

THE issue is now fairly joined between those who sustain the bimetallic or the alternate legal tender of gold or silver at the option of the debtor which the writer regards as wrong in principle and vicious in practice,—and those who sustain the monometallic or single legal tender of gold only. It therefore becomes expedient to bring the main points of difference between these two classes to their simplest and final terms.

In a discussion of this subject in this city, the following ten propositions have received the assent of both parties with a view to removing all side issues, and in order that the points of difference may be brought into the simplest and clearest terms.

*First*—Gold, silver and other materials had been brought into use for monetary purposes before there had been any monetary legislation according to the modern use of that term.

*Second*—At various periods and in all commercial countries, as well as nearly all others, monetary metals served the purpose of money by weight; nearly all the names of coins being synonyms for, or exact definitions of, the weight of metal originally in each type of coin.

*Third*—Coinage is a term which is made use of to describe the manufacture of coins. It consists in combining certain

monetary metals with alloys which are used for the purpose of hardening, in definite proportions of fixed weight. Coins are customarily made in round discs: in Japan they are sometimes oblong. These discs are stamped in order to certify the weight and quality of the coin. With that definition of coinage the word is exhausted.

*Fourth*—The manufacture of coins has been assumed by governments and private coinage has been forbidden for the purpose of establishing and maintaining the lawful weight and quality of the coins. Whether or not a seigniorage or charge for the manufacture of coins is made is immaterial to the present discussion.

*Fifth*—Decrees of legal tender, followed by legislative acts in states governed under a constitution, were either uttered or enacted subsequently to the assumption of the manufacture of coins by nations long after the monetary use of gold and silver had been established.

*Sixth*—Nearly all modern coins contain less gold or less silver than they did when first issued and named. The names have therefore become conventional titles and are not indicative of the weight of metal in each coin.

*Seventh*—Coins made of gold possess a value in exchange equivalent to the value of the pure gold in bullion form of which they are composed, due allowance being made for seigniorage in some instances, or for the cost of verifying the purity of bullion, or for the cost of transportation. Such variations are insignificant, they may therefore be disregarded in the present discussion.

*Eighth*—In the larger number of countries, gold coins only possess a bullion value equivalent to the purported value of the coin itself. Silver coins did possess such bullion value in India until the mints were closed. In Mexico, silver coins still possess their bullion value. In China, foreign coins of silver pass by weight when "chopped" or certified by responsible

Chinese bankers. Chinese silver is not moulded in what we customarily call a coin, it passes by weight. A small coin of China, made of an alloy of copper called "Cash," passes by custom, sometimes becoming redundant. It is believed that there is no act of legal tender at the present time in China.

*Ninth*—In making international exchanges or payments the various coins of the world are compared and rated in their relative value in exact proportion to the quantity of pure gold or pure silver in each coin,—the name, stamp, and fiat of the issuing government counting for nothing.

*Tenth*—International exchanges of money or in monetary terms are not governed by any act of international legal tender. Legal tender acts are limited at the present time to Nations and States in the conduct of trade within such Nations or States over which each Government holds a power of regulation or dictation.

In pursuance of the same purpose the subsequent brief has been prepared for more general consideration in order that other persons who have not yet taken part in this special discussion may be brought in.

If it should be held that such an international treaty of alternate legal tender as is here proposed has no prospect of being adopted—yet it may serve as a useful hypothesis on which to base a system of international coinage for the establishment of new coins of silver and gold by which all other coins may be rated. Such an agreement might be the first step toward unifying not only the coinage but all the weights and measures of the world,—the adoption of these new coins for commercial purposes being left wholly at the option of individuals without any effort to make it compulsory.

Putting aside the paper money cranks, the advocates of the single silver standard who support the free coinage of silver without regard to other nations, the owners or representatives

of mining camps whose motive is to make a market for silver, and the debtors who desire to scale down their debts — all such classes being either unworthy of notice or incapable of reasoning, and all of whom combined number but a mere faction — there still remains a large body of intelligent men who sustain the bimetallic theory or debtor option of an alternate legal tender of gold or silver coin at a fixed ratio. The latter are numerous. They are men of sincere and earnest purpose and they constitute what may be called “a bimetallic school of monetary science.” On the other hand, are the equally sincere and earnest men who believe that the single gold standard either ought to be maintained in acts of legal tender or will be maintained in the natural course of events without regard to legislation or to international treaty. These also constitute a “monometallic school of monetary science.” The members of each school respect the others and all are desirous to elicit monetary truth.

What then is the fundamental difference by which these two schools of students in monetary science are divided? It is not difficult to define this point or the parting of their ways of thought. The bimetallic school holds that every kind of money derives its power from the law, that is, from written or statute law. They hold that without the force of legislation neither gold, silver nor paper money would be money of debt-paying power. In other words, they hold that all lawful money is *fiat* money and that no coin can become money of debt-paying power except for the force of legal tender provisions or statutes. This is admitted by the ablest and most conspicuous advocate of bimetallism, Henri Cernuschi. In his pamphlet upon the “Anatomy of Money,” (P. S. King & Son, London, 1886), he says: “It is the law which confers on gold the privilege of forced currency. . . . The 500 cubic metres of gold, which owing to forced currency are now worth perhaps a hundredth or half a hundredth of the whole value of

the universal inventory of property, would no longer be worth more than a thousandth, a half-thousandth, etc." . . .

"It is thus an undeniable fact that the law creates the power of money. But this does not mean that the law fixes the price of money, inasmuch as the value of money cannot be expressed by a price. But the law creates the power of money by decreeing that all the cubic metres of gold, present and to come, shall have forced currency. This legal tender creation of monetary power has nothing irrational. So far from it, it is necessary, for without the intervention of the law there can be no forced currency and without forced currency there is no money possible. The metal is the body of money, the forced currency is its soul." . . .

"Created by the written law, the power of money is, however, guaranteed by the natural law. . . . Metal money, gold, is of automatic, self-acting, historic emission. The Legislature has no hand in it. The State confers power on the metal, — on the whole metal, — it certifies the weight of the gold which it is asked to coin and does coin, but it can neither increase nor diminish the metallic mass." . . .

"Paper money is money only in the State which has issued it. But if there existed only a single State, paper money would naturally be universal money. No one would complain of it. Neither creditors nor debtors would have anything to fear, for the issue being well regulated, the power of money would not change in intensity from one period to another. Money being everywhere the same, payments between countries would be very easy. The exchange between one place and another could never cost more than the material transport of money itself would cost. It would be monetary perfection." . . .

In his pamphlet upon the "Great Metallic Powers," published in London, 1885, Cernuschi's dictum is as follows: —

“It is by the ordeal of fire that money may be tried. The coins which, being melted down, retain the entire value for which they were legal tender before they were melted down are good money. Those which do not retain it are not good money.”

A simpler ordeal would be the ordeal of the hammer. One might express this law in these terms: *The coin which being beaten smooth with a hammer retains its full value is good money. That which being beaten smooth with the hammer does not retain its full value is bad money.*

Again, Cernuschi remarks: “Legislatively to confer on all the silver and all the gold the same power which monometallism confers on only a single metal, it is in this that bimetallism consists.” It will be observed that in this paragraph the inference is that the debt-paying power of gold is conferred upon it by the legal tender provisions of the law. It is doubtful if all the advocates of bimetallism either comprehend or are as fully governed by the logic of the case as Cernuschi their leading advocate surely is, but he may be considered the ablest exponent of their theory.

There are a few bimetallists who take a different view. I may quote from a letter from one of them to whom proof sheets of this pamphlet have been submitted:—

“Bimetallists ask to have gold and silver treated equally; and that is all—absolutely all. If one be made a legal tender, make both a legal tender; if one be demonetized, demonetize both. They complain that gold has been favored by legislation and its value artificially raised. They are perfectly willing, if gold men will consent, to repeal all legal tender laws and let the metals pass by weight. Governments in that case would have to receive both for taxes at a ratio—merchants might contract as they pleased.”

Another critic to whom the proof sheets were submitted, himself a monometallist, so called, writes,—“The more



thoughtful of the bimetallists will complain of your charge that they hold that all lawful money is *fiat* money, etc. What they maintain, as one of them explained to me, is, that while the value of money is determined, like that of other things, by demand and supply, governments are able by legal tender acts to powerfully influence the demand."

If there is any consensus of opinion on the part of bimetalists upon these two points, the way seems to be plain by which an agreement could be made for the free coinage of gold and silver at a fixed ratio, under new and distinctive names—neither to be legal tender or either to be separately a legal tender according to its name—which it is the purpose of this treatise to promote. I fear, however, that such reasonable views may not be sustained by the great majority of the bimetalists who insist upon free coinage at a fixed ratio under the same names, each coin to be the alternate legal tender for the other at the option of the debtor.

Those who believe in the single monetary standard, based upon a unit of value made of gold or defined in terms of gold, hold that gold has become the world's standard of value through a process of natural selection, or what is sometimes called natural law, without regard to decrees, statute or written law, or treaties. The logic of their case therefore is that all trade although conducted in terms of money, is in fact a double barter or exchange. Goods are bartered or exchanged for coin. Coin is subsequently bartered or exchanged for other goods, the function of the coiner being simply to define the weight and the quality of the coin.

Without going back to the almost prehistoric periods before the function of coinage had been assumed by the Governments of States, consideration may be given to the present conditions of international commerce. The customary name or title of the money by the measure of which international commerce is mainly conducted is "pound sterling." There is no coin of

that name established by the laws of Great Britain. The term or name is a synonym for 113.0016 Troy grains of pure gold. The lawful gold coins of Great Britain are a five-pound (not pounds) piece, a two-pound piece, a sovereign, and a half sovereign. The sovereign is a gold coin weighing  $123\frac{171}{623}$  grains — eleven-twelfths fine containing  $113\frac{1}{623}$  grains of pure gold.

Every sale of goods at the price of a pound sterling is therefore a barter or exchange of such goods for 113 grains of gold (the minute fraction being disregarded). Every purchase of goods for a pound sterling is a barter or exchange of 113 grains of gold for the equivalent in goods.

International remittances for the settlement of balances due in pounds sterling are made in coin of different types according to the relative weight of gold in them; often and even preferably in ingots or bars of gold of certified weight, in which event the whole transaction is one of barter or exchange in terms of weight, without regard to the name, title, stamp, or legal tender function of any coin whatever.

Credit does away with the actual use of coin or bullion in by far the greater part of all transactions, substituting instruments of exchange redeemable in pounds sterling or in coin for the actual coin. It is held that all traffic in goods therefore consists in an exchange of commodities, gold and silver included, — each of which is subject to the ordinary law of supply and demand, while all are subject alike to the effects which ensue either from a reduction or an increase in the cost of production.

The plain issue between the so-called bimetallists and the monometallists is, therefore, a difference of judgment as to the primary source or origin of the function and power of money. Most of the members of the bimetallist school hold that lawful money must of necessity be a legal tender. The monometallist school holds that lawful coined money may exist

without being endowed with the function of full legal tender, or even with any function of legal tender whatever.

In support of this monometallist view the fact is also cited that the legislative acts of this country, regulating the valuation which shall be put upon foreign coins in the Custom Houses of the country, are governed absolutely by the relative weight of pure silver or of pure gold in each kind of foreign coin. No regard whatever is given to the fiat of the Government by whom the coins are made, or to the acts of legal tender which may be in force in either country. There are also many other practices which are governed wholly by the conception of the weight of metal in each coin. Nearly all the names of coins were originally derived from words which indicated the exact weight of metal in each coin. Nearly all coins have been debased or degraded by taking out a part of the original weight. From the beginning of monetary history to the present time acts of legal tender have been frequently put in force for one of two purposes:—

1st. To compel creditors to accept a debased coin or depreciated paper money from debtors at the penalty of losing their whole debt.

2d. For the purpose of collecting a forced loan which was the object of the legal tender acts of 1862 and 1863 of the United States.

Such being the difference between the two monetary schools, may it not yet be possible for these two bodies of men, whose views as to the source of the power of money are at variance, to come to an agreement upon what should be the policy of Nations, both in respect to coinage and to the force of legal tender provisions? Is there not a very simple way in which those who are called monometallists, or those who believe that the power of money is derived from the valuation of the pure metal in each coin, may support even a bimetallic treaty of legal tender?

To the writer there seems to be a very simple method of meeting this issue to the satisfaction of all persons who desire a sound monetary system, and whose purpose in this discussion is to elicit the truth, the whole truth, and nothing but the truth.

Such an agreement would be without objection upon the condition that there should also be an international treaty of free coinage both of gold and silver, under which new coins should be established under new and separate names, with or without seigniorage as might be agreed; such coin to be made for every one who might bring bullion to every National mint to be manufactured into coin without limit,—whether the bullion consisted of gold or of silver.

The bimetallic treaty which may be contemplated in the proposed conference must of necessity deal with existing coins or with the names of money as now established. It will become necessary to agree that the pound sterling of England, which is the abstract title or name of one hundred and thirteen grains of gold, or the sovereign, which is its equivalent when of full weight, the dollar of the United States, the mark of Germany, the franc of France and of the Latin Union, and any other coin under present names shall become by name or title a synonym or alternate each for the other in the liquidation of contracts for a fixed number of grains of gold or a fixed number of grains of silver, at whatever ratio may be established. That is to say, under any bimetallic treaty yet proposed the present names or titles of coins or the name of pound sterling would become synonymous for certain weights of gold or silver at the option of whoever might desire to tender either kind of coin in liquidation of a contract. Such a treaty must of necessity deal with the names or titles of money as they are now established, and under such an agreement it must be made imperative upon the creditor in one country to accept from the debtor in any other country either the gold or silver coin,—sovereign, dollar, mark or franc,—at a fixed ratio

which may be agreed upon in the liquidation of all future contracts.

To such an agreement by treaty there could be no objection, provided a treaty of free coinage should be made coincidently, opening the mints of all countries to the manufacture or minting of two new coins, one of gold and one of silver, under new names bearing no relation to the names of any existing coin; each of these coins to be lawful money in every country, but neither to be the alternate tender for the other. Each coin to be divisible into aliquot parts for subsidiary coinage.

If such an agreement were made, it would manifestly be necessary to make provision for stopping the additional coinage of gold and silver coins of the present names or titles except for re-coinage, so that the present volume of coin should be maintained for the liquidation of all outstanding debts. By this provision there could be neither appreciation nor depreciation of the gold or silver now existing in the form of lawful money in ratio to the sum of outstanding debts. Provision would also be necessary for the issue and redemption of subsidiary silver coin of limited tender to serve as small change, coupled with nickel and copper coins.

The only danger which would then ensue would be the danger of counterfeiting existing silver coins if the additional treaty for the free coinage of gold and silver did not keep the ratio of silver and gold bullion at substantially the same ratio as those which were formerly established, on which all existing silver coins are based; namely, 16 to 1 in the United States, and 15½ to 1 in the European States.\*

This policy proposed would establish first, the bimetallic

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\* Rumors of an extensive manufacture of silver dollars and half-dollars and of India rupees, outside of all lawful mints, are becoming more and more frequent. Such practice cannot long be deferred, as the gross profit would be more than fifty per cent. It would be an easy matter to re-cast Mexican dollars of 420 grains, already refined and moulded, into American dollars of 412½ grains. Only a hammer and a few dies would be needed.

alternate legal tender coins under existing names, the volume to be limited by the quantity now in existence of the coinage of the parties to the treaty; second, a monometallic gold coin under a separate and distinguishing title or name, say *Aurum*; and third, a monometallic silver coin also under a separate name, say *Argentum*.

The option would then be given to bankers, merchants and traders to enter into contracts, international or domestic, in monetary terms, backed by an assured supply of coin of either designation. A free choice would be open to every nation and to every inhabitant of every nation on what terms and in what coin to make contracts.

The adoption of such a system is not so difficult or complex as might first be thought. There are now in existence and in use in various countries several gold coins which are very near to each other in their valuation; namely, the English sovereign, the American half-eagle, the German twenty-mark piece, the French twenty-franc piece, to which five may be added, the pound of Egypt, the doubloon of Cuba, the twenty-five peseta coin of Spain, and several others. These various coins or multiples thereof vary in the weight of gold by only a very small per centum. A table is attached hereto giving the grains of gold in each of these principal coins or in multiples thereof, and also their valuation according to the quantity of gold in each, relatively to the coin of the United States.

Again: There is a corresponding or greater number of silver coins now in use in various countries which vary but little from each other in the weight of silver in either coin. It may here be remarked that the monetary use of silver has not been diminished but has greatly increased since the year 1873, although silver was then deprived by Germany, and subsequently by the Latin Union, of its function of full legal tender. Bimetallism, or the monetary use of gold and silver, exists now as it has always, and will probably continue to.

The proposition, which is now submitted, may, therefore, well be repeated. It is that there shall be a new international coin with the weight of gold in it so adjusted that its variation from either of the coins now in existence in grains or grams may be stated upon each coin, to the end that each coin may carry on one side its exact ratio to all other existing gold coins which are nearly of equal value. The new coin of silver to be made and adjusted to the same terms and conditions. It is proposed that these two new international coins, — one made of gold and one made of silver, shall be freely coined with or without seigniorage as may be expedient; neither to be the alternate legal tender for the other or for any other coin at any fixed ratio whatever; each to be lawful money and each to be legal tender on the contracts in which it is specifically named.

The effect of such a treaty of free coinage would be to give to the inhabitants of each and every country a supply of lawful money, proportioned to their need, so that each and all, individually or collectively, might exercise their free choice in the selection of the kind or type of money — either of gold or of silver or of the alternate — which they would adopt in their contracts, — in their bonds, — in their mortgages, — in their bills of exchange, — in their international, — or in their domestic transactions. All who believe that gold and silver could be held at an even and universal estimate under the bimetallic treaty of alternate legal tender would of course continue, or would be free to continue to conduct their business as they do now under the monetary names or titles of pound sterling, sovereign, dollar, mark, franc, or of any other existing coin. All who might elect to conduct their transactions on a gold standard would name the new gold coin in their contracts. All who chose to conduct their transactions on the silver standard would name the new silver coin, either in drawing bills of exchange and making bargains or agreements for sales and

purchases, or in any other transactions. Either kind of coin would be lawful money in any country, to the end that all courts might adjudicate upon disputed contracts, enforcing final liquidation in the kind or type of money named in each contract according to its specific provisions.

It is hoped that the proposed Conference will be called at a very early day and that a proposition of the kind which is sketched in this brief may be brought before it. It would then be at once determined :

1st. Whether or not those who are at variance on the source of the power of money can come to any agreement.

2d. Whether Nations can agree upon any bimetallic monetary system with free coinage, so as to satisfy every sincere advocate of either policy.

Would it not then appear that any advocate of bimetallism who should refuse to adopt a system under which all men, either bankers, merchants, traders, producers, or consumers, should have a free choice of the kind of lawful money—either gold or silver—in which to conduct their business, intended to forbid free contract? Would it not be proved that such advocates of compulsory alternate legal tender bimetallism intend to deprive creditors of a choice in a medium of payment while endowing debtors with a legal right to force liquidation, without any regard to the preference or choice of the creditor.

Would not such a refusal to agree to a free selection of the kind of lawful money, gold or silver, as a basis for contracts, bargains, bills of exchange or other dealings on short or long terms give evidence of an intention on the part of the advocates of bimetallism to forbid commerce on the terms which the two parties in each transaction might themselves believe to be the safest and surest in the conduct of their own affairs?

Under what pretext can the interference of law, decree or treaty be justified which would forbid the right of free contract



and which might give to debtors an important option in the choice of the medium of payment to their own personal benefit, while depriving creditors of an equal opportunity to maintain their own rights?

What can be the result of such a privilege being granted to debtors except to limit the function of credit, — to obstruct the distribution of capital, — to retard the progress of States or Nations, — and especially to retard the development of those sections of the earth which now require credit to the fullest extent in order to assure it?

In this brief the writer has only endeavored to bring out certain salient points with suggestions that would call for the ablest minds for their full application to existing conditions.

The purpose of this brief is to suggest a bimetallic treaty of free coinage, to the end that lawful coined money of gold and of silver may exist under specific names so that special contracts which are now made in terms of weight may also be made in lawful coined money, to be liquidated only in the new coins or their equivalents by weight in other coin.

## II.

The unit of weight by which the coinage of the English speaking people is governed is the Troy grain. For purposes of example, we will assume that the new international coin shall be of the weight and quality of the half-eagle of the United States. There may be no more difficulty in giving a suitable name to this coin than there is in conceiving what it ought to be. By whatever name it might be called, it would bear the following relation to other gold coins now in common use. It would contain 116.10 grains of pure gold. At that standard, the subsequent coins would bear the valuation and the ratio set opposite each one.

	GRAINS OF PURE GOLD.	VALUATION.	RATES BY PER CENTUM.
United States . . . . . Half Eagle,	116.10	\$5.00	1.00
English . . . . . Sovereign,	113.0016	4.8665	.9723
German . . . . . 20 Marks,	110.626	4.764	.9528
France and Latin Union, } Lira or Pesetas . . . } 25 Francs,	112.009	4.823	.9646

This table is given for purposes of example. A great deal of attention has been given to the subject of international coinage upon the metric system, but as the writer is not familiar with the literature of this subject, he limits his example to the terms to which English speaking people are accustomed.

Not being fully satisfied with the term "aurum" or "argentum" and being desirous to find words, especially Latin words, that would indicate the idea of a unit of commerce, I applied to Dr. William Everett, whose answer is:—

"The Latin word for unit is *as*, which appears still in the same form in continental languages and is the English *ace*. It has been traced to a provincial form of the Greek word for 'one'. It would be impossible to construct a Latin word, and difficult to construct a Greek one, to connote the complex idea of a unit of commerce. The oldest gold coin which obtained currency throughout the ancient commercial world was the *stater*. It was coined by old Darius, and often called from him a Daric. It was coined by the great commercial town of Cyzicus, half-way between Constantinople and Troy, and so the Cyzicenes—  
 T properly Cyzicene States—were the exact predecessors of the Byzants or Bezants. Now the word *stater* means a standard, or weighed amount. It is easy to pronounce in all languages, according to their genius. It suggests, not by an accidental coincidence, but by legitimate kin, all such words as state, statement, stable, stationary, stand, standard; and you are simply reviving what was understood by Daniel and Ezra, by Themis-

tocles (much too well) and Aristides, by the Carthaginians and Massilians, five hundred years before Christ, as the universal gold coin. At a later period, a silver coin of the same name was issued; that is a silver standard, as the gold stater was the gold standard."

If, however, the result of the proposed Conference should only be to take from the pound sterling and the sovereign the credit which is now imparted to them in being the names of one hundred and thirteen grains of gold recoverable on all contracts entered into in these terms; and if the treaty should also make the titles of pound sterling, dollar, mark, franc, etc., the names of coins which might be tendered either of gold or of silver at a fixed ratio,—there would then remain no lawful coin or monetary term in customary use in which monometallic contracts could be made. Yet such contracts would continue to be made. Transactions would be entered into on a gold basis in which it would then be necessary to adopt the present practice of stipulating payment at so many pennyweights, grains, or grams of pure gold or its equivalent in gold coin. This would be inconvenient. It would, however, be a very simple matter for banks, bankers, trust companies and merchants to come to an agreement for the manufacture of ingots of gold of convenient size under a new name like that of aurum or stater and multiples thereof. These ingots might have no circulation as coin, but banks, bankers and merchants could then draw checks or drafts upon each other, payable to bearer, in round sums either of small or large amount, which would then attain a circulation throughout the world. Such a circulation would correspond to the present world-wide use of the five pound notes of the Bank of England which can be converted anywhere into the coin or paper money or cash of any country, being payable only in gold which is the only kind of money that possesses a world-wide purchasing power. A syndicate, to use the modern term, of bankers, corresponding to the syndicate which has lately

taken the United States loan, would have practically unlimited credit on a gold basis, and its checks and drafts would have even a wider circulation than the checks and money orders of the great express companies of the United States whose travellers' checks and orders are now cashed at over twenty thousand different places in this and other countries. A reserve of ingots would of course be kept by the syndicate in all the principal monetary centres of this country and of Europe, between which balances would be settled by clearing house documents.

It would therefore be a very simple matter for the business community to maintain the gold standard, both in international as well as in domestic transactions, if the hypothesis of the advocates of a bimetallic treaty of legal tender should not be justified. If such a treaty should not bring up the valuation of silver to that of gold, or bring down the valuation of gold to that of silver, so as to establish a bimetallic par, then such action as is proposed by banks and bankers would become necessary. If the bimetallic hypothesis should not prove true and the variation between the valuation of gold and silver should remain far away from the fixed ratio agreed upon in the treaty, then all persons who desire to make safe contracts and to conduct their business in a prudent way would be free to avail themselves of the services of the syndicate of banks and bankers, while others would be equally free to conduct their transactions under the same monetary terms which are now in use, but subject to the hazard of variation and instability.

In order to indicate the facility with which exchanges could be made of one coin for another, let it be assumed that the word *stater* had been adopted as the name of an international gold coin, such coin to be made of one hundred grains of gold. The comparison of all other coins would then be according to the number of grains of gold in ratio to one hundred, a simple decimal process. The coins of ten of the

principal countries would then bear the following relation to the stater: —

	NAME OF COIN.	GRAINS.	VALUE.
Unit . . . . .	1 Stater.	100.00	\$4.3066
1. United States . . . . .	5 Dollars.	116.10	5.00
2. Great Britain . . . . .	1 Sovereign.	113.0016	4.8665
3. Germany . . . . .	20 Marks.	110.626	4.764
4. France . . . . .	20 Francs.	89.607	3.859
5. Netherlands . . . . .	10 Guilders.	93.341	4.025
6. Russia . . . . .	5 Roubles.	92.574	3.986
7. Austria . . . . .	20 Kronen	94.100	4.053
8. Egypt . . . . .	1 Pound.	114.778	4.943
9. Chili . . . . .	1 Doubloon	113.0016	4.8665
10. Japan . . . . .	5 Yen.	115.743	4.984

It might not be judicious to make a coin so small as one stater, since these coins would not enter in any considerable measure into circulation, but would rather be used for remittances, or be carried by travellers from one country to another for immediate conversion at a banker's into the coin or cash of that specific country. Therefore they might be coined of large size, rather thin, in octagon form, so as to distinguish them absolutely from every other kind of coin. If of such large size, the foregoing table of the relation of one stater to ten other gold coins could be inscribed upon every stater. Bills of exchange when drawn in staters might have inscribed on the back the ratio of the stater to every kind of gold coin in the world, there being twenty-nine different currencies; also the ratio of the stater to the subsidiary units of small coin, where such coin are convertible into gold—such as the cent, the penny, the pfennig, the centime; or the silver coins, the quarter of a dollar, shilling, mark and franc. The relative weight of gold in the *stater* and of the silver in the *ace* could also be given in grams upon the metric system, in grains

upon the English system, or in other units of weight which may be applied in the coinage of other countries. The advantages of an international unit have often been presented, but as yet little progress has been made. If, through the proposed International Conference, only such a result should be attained without any treaty of bimetallic legal tender, it would be of great benefit to the civilized world.

### III.

Not wishing to include in my economic argument the more strictly legal aspect of this question, I have reserved some points to be dealt with in this third part.

In all legal definitions of lawful money, four separate factors have always been kept clearly distinct, especially in the legislation of the United States.

*First*—The weight and quality of the various coins authorized.

*Second*—The name and definition of a unit of value.

*Third*—What coins should be and what should not be of full legal tender.

*Fourth*—The maintenance of the full weight of pure metal in each and every coin, in order to entitle it to be a legal tender for its nominal valuation.

The first and second factors have been treated in the same paragraph in all acts establishing coins.

The present law covering the second factor is to be found in the Coinage Act under Title XXXVII. of the United States Statutes at large, Section 3511, in which the following provision is made: "The gold coins of the United States shall be a one dollar piece, which, at the standard weight of twenty-five and eight-tenths grains shall be the unit of value." In other paragraphs, provision is made for other gold coins, all,

including the dollar, being nine-tenths of pure gold, one-tenth of alloy.

The coinage of the dollar piece was subsequently suspended, but the standard dollar of gold is still the lawful unit of value.

The acts for the conduct of the mint and for the manufacture of coins, from the first act of 1792 down to and *not* including the Bland Act, are pervaded throughout with provisions for the maintenance of a unit of value based absolutely on weight.

The provisions of the law as to what coin, or substitute for coin, shall be legal tender are distinct and separate from the acts establishing a mint or coin manufactory and for the minting or manufacture of coins.

Throughout all the laws upon the subject down to a recent and conspicuous date, every act relating to coins and coinage has fixed its valuation by weight and has limited the function of full legal tender to coins of full weight, provision being made from time to time that abraded coins or coins of light weight should be legal tender only in the proportion of the pure metal in them as compared to standard coin.

The first departure from this established rule and practice, in respect to coins of full legal tender, is found in the so-called "Bland Act" of 1877-78, Chap. XX., which provides that the silver dollars of  $412\frac{1}{2}$  grains in weight, nine-tenths fine therein authorized, "shall be a legal tender at their *nominal* value for all debts due public and private."

So far as I can discover, this is the first act of legislation in this country to force a coin into circulation which did not contain bullion value equal to its nominal value.

This is a notable departure, and that it is so, the act itself bears witness in the concluding section of the same paragraph, which is in these significant words, "except where otherwise stipulated in the contract."

The war acts for collecting a forced loan, by making United States notes a legal tender, are silent upon coinage. These notes were promises of the dollars issued under acts which made their acceptance rest upon their weight and quality. The Bland Act degraded the dollar itself, making it no longer rest upon its weight and quality, or its ratio to the unit of value, but forcing its acceptance upon the ignorant at its "nominal value" under a mere *fiat*.

This evil was partially remedied in the so-called "Sherman Act" of 1889-90, Chapter DCVIII., by which the coinage of these fiat dollars resting only upon their "nominal value" was stopped.

Under this act the Secretary of the Treasury is instructed to make a forced loan for the purchase of four and a half million ounces of silver bullion per month, by the issue of United States legal tender notes. The greater part of this bullion now lies in the vaults of the Treasury in a state of very noxious disuetude.

The evil influence of this act was qualified by provision for the redemption of these notes in coin made of gold or silver at the discretion of the Secretary of the Treasury. This discretion is, however, governed by the mandate of the same law, that he shall so exercise his discretion as to maintain the two metals "on a parity with each other upon the present legal rates."

Another significant provision of this act is in the following terms. "The Treasury notes issued in accordance with the provisions of this act shall be redeemable on demand in coin, at the Treasury of the United States, or at the office of any Assistant Treasurer of the United States, and when so redeemed *may* be re-issued."

It will be remarked that the Secretary of the Treasury must redeem these notes so as to maintain their parity at the present ratio with gold, and that their re-issue is not mandatory but



only permissive or subject to his discretion. Therefore he now redeems them in gold. He has no option.

In connection with these provisions of the law, regard may be given to the ample power now vested in the Secretary of the Treasury to sell interest bearing bonds in order to procure gold for the purpose of redeeming or paying these and all other notes, and to the existing demand for these bonds.

It is therefore in the power of every one who desires to remove this vicious element from our monetary system to present the so-called Sherman notes for redemption; as their re-issue is not mandatory it is not to be supposed that they will be re-issued. Neither could they be re-issued under existing conditions because the lawful appropriations are now substantially met by current receipts of revenue with a prospective surplus, so that even if the Secretary were inclined to re-issue the paid or redeemed notes he could not do so without further appropriations.

There is another point to which attention may be called, although it is yet more a question of law than of monetary science. The amount which the Secretary of the Treasury was authorized to borrow on this forced loan for the purchase of silver bullion was limited by the act itself. The purchasing clauses of the act have been repealed.

The notes are now being paid and all outstanding notes ought soon be presented for payment. That payment terminates the loan—the notes become like paid bank notes—*functus officio*. The law is not like the existing statute in regard to the legal tender notes of 1862-3. The re-issue of the so-called greenbacks or war notes is mandatory under an act which fixed the amount of that loan at \$346,000,000. Until further legislation under the dictum of the Supreme Court these war notes are lawful money.

On the other hand, although the Sherman act says that the notes issued thereunder may be re-issued, it may be doubted

whether such a new act of borrowing by their re-issue would be lawful without a specific act of Congress empowering or directing the Secretary of the Treasury to collect another forced loan for a specific purpose; a re-issue now would not be for the purchase of silver bullion, but for some as yet wholly undefined purpose. There is no lawful purpose for such re-issue.

Assuming then, first, that the Secretary of the Treasury now possesses full power to sell bonds in order to maintain redemption; second, that the demand for such bonds is very great and will increase as soon as the intention to maintain the present standard of value is assured; third, that one hundred to one hundred and twenty-five million dollars in Sherman notes may soon be presented for payment; what follows?

It is certain that in the judgment of the Secretary it would not be expedient to re-issue these notes; it is certain that if it were deemed expedient there is no appropriation to which they could be applied; lastly it is probable that it is not within his lawful power to make a new loan, especially a forced loan, except under the authority of a specific act of Congress for a specific purpose.

Reference has been made to the certainty that the Sherman notes will be presented for redemption in the ordinary course of affairs. There is a legal method by which the redemption of these specific notes may be hastened.

The most effective manner for withdrawing that part of the demand notes which now imperil the gold reserve of the Treasury would be for the Secretary of the Treasury to avail himself at once of the mandatory provision of the resumption act, by which he is instructed to maintain the parity of all the obligations of the Government at his discretion. One method of doing so has been tried and has proved to be insufficient, namely, the two recent sales of bonds preceding the last one, of fifty million dollars each. This sale merely passed a tem-

porary current of gold through the Treasury without increasing the reserve. The last sale has sufficed to meet the existing emergency, but it is manifest that there can be no stability to the reserve of gold and no security for the constant redemption of notes so long as they are re-issued after having been paid.

Having indicated that a re-issue or continuance of the loan under the Sherman act may be unlawful,—the purpose, namely, the purchase of silver, for which this act was originally passed having been stopped by law,—it would be desirable that these specific notes should be funded at once, so that to that extent the danger of drafts upon the Treasury would be removed. In view of the necessity to withdraw such notes promptly from circulation, other mandatory provisions of the resumption act may be brought into force. These provisions give the Secretary of the Treasury the power and make it his duty, to sell as many United States bonds as may be necessary to provide for the redemption of demand notes, the only qualification being that these bonds shall be sold “at not less than par, in coin.” The four per cent. bonds which are authorized to be issued under this act and for this purpose of redemption can now be sold in very large sums at very high premium, or very much above par in coin. Sales of such bonds at four per cent. can now be made at a premium in gold which brings them to a three per cent. basis, although under the recent exigency it became necessary to dispose of a small amount on less advantageous terms. If an amount of these bonds equal to the amount of notes outstanding under the Sherman act were now put upon the market on a three per cent. basis, or, if necessary, upon a three and one quarter per cent. basis, subscriptions to be payable in the Sherman notes or in any other demand notes of the Government now outstanding, it is probable that the notes themselves might command a premium in gold in order that they might be made use of to secure the bonds. Such an undertaking would at once give

evidence that this country had become what one might call the "Safe Deposit" of European capital which is now being imperilled in many instances by the disturbed condition of affairs on the Continent of Europe. It might therefore ensue that as fast as the notes were withdrawn from circulation for investment in the bonds, gold would come from abroad in great abundance for foreign investment in this "Safe Deposit." The tide of coin would more than compensate for any temporary lack of circulating medium now filled by these notes.

It would not, however, be necessary to resort to such a drastic measure. The moment it becomes apparent that it may be considered both inexpedient and unlawful for the Secretary of the Treasury to incur a new loan without authority of Congress, by a reissue of any of the demand notes which have been paid, they will be presented for payment only so fast as they can be spared from circulation. Confidence will immediately be restored in their ultimate redemption, and they may then serve the purpose of circulating medium until in the natural course of events gold accumulates, either from our own production or in return for our merchandise, in sufficient measure to render them no longer useful.

Were it not for the return of securities due to the distrust of foreign holders under the influence of the late silver craze, the balance of trade of the last three years would have placed at our credit in foreign banks more gold than we could possibly make use of in our own circulation. In the matter of exports and imports of merchandise, we have full command of such part of the gold of the world as we may need for use, since we produce the necessaries of life in excess of our own wants, which other nations must buy, while our imports can be reduced at our own will according to our conditions for the time being. Confidence being restored, whatever gold we may require we can procure at any moment on demand.

It then follows that the most dangerous conditions in our monetary system are about to be overcome.

A commercial problem of a somewhat difficult kind may then ensue. The compulsory purchase of silver bullion under the Sherman act has been stopped, but the provisions of that act, for the disposal of the bullion, are still in force. A small part of this bullion was coined, and there the coinage stopped by the terms of the act. The rest of the bullion is now in the vaults awaiting disposal, under the following mandatory provision, "that no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, *then* held in the Treasury, purchased by said notes." It will be observed that the terms of this paragraph are prospective — the words "then held" refer to conditions which may arise subsequently. If these notes are in part paid, it then becomes the duty of the Secretary of the Treasury to adjust the quantity of bullion to the amount outstanding. If all are paid and none are outstanding, then no bullion can be lawfully retained in the Treasury as an asset. How to dispose of it will be purely a commercial and not a monetary problem. If it cannot be sold it can only be charged off to profit and loss as a merchant or bank would charge off dead or unsalable assets.

Since the panic of April to August, 1893, which was brought on wholly by the peril to the unit of value, constructive enterprise, which always rests upon credit for its activity, has almost ceased.

Such enterprises having reference to future and not to present need, usually give employment to about ten per cent. of that part of the population which is occupied for gain — one in three of the total number: such one-third now numbering approximately 23,000,000 persons — mostly adult men.

The consumption of mineral, timber, food, fibres and fabrics of all kinds has been reduced since the panic, in a cor-

responding measure—hence, want has existed in the midst of abundance, and thousands, even hundreds of thousands, have been reduced to compulsory idleness. Yet one who is in touch with the great industries of the country cannot fail to have been impressed of late with the appearance of suppressed energy. Aside from railways, in many of which the bad financial methods of the last twenty years have merely been disclosed during the panic, there have been no conspicuous disasters either in manufacturing or commerce. The losses by mercantile failures of the last three years have not exceeded in an average one-third of one per cent. per annum, on the volume of trade—small in 1892, greatest in 1893, lessened by one-half in 1894.

Under the courageous administration of the President of the United States and his cabinet, the unit of value has been maintained. The power granted under existing laws is complete to remedy the chief defects in our monetary conditions.

When it becomes manifest that this power will be exercised without fear or favor, the return of confidence must bring a renewal of constructive enterprise. The small excess of useful products will at once be consumed. Activity will be imparted to every branch of industry. By so much as the energy of the people has been suppressed will it become necessary that it shall be exerted, in order that the investment of capital in new undertakings may keep pace with the growth of the country,—in population, in individual wealth, and in common welfare.

The lightest taxed and most richly endowed of the nations of the world cannot long be depressed even by a most incapable congress.

During the last four years, each of the existing parties has been tried and found wanting in the capacity of its representatives to deal with the collection of the revenue and with the monetary policy of the nation.

There never was a period in our history when so many men of conspicuous ability — a few within, but mainly outside of Congress — were seeking to establish true principles and to bring them into the forms of law.

Neither political party has any title to continued existence under its present conditions. Each is more bitterly rent within its own lines than with respect to the other. These conditions will purge them both and will bring to the front the few statesmen who have learned to act together in the late emergency, while relegating the mere partizans to the obscurity which will be the penalty of their own incapacity or lack of principle.

EDWARD ATKINSON.

BOSTON, March 14, 1895.

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### NOTE.

In the foregoing text reference has been made to a discussion conducted in writing with some advocates of bimetallism, for which purpose the ten propositions which are given in the text had been agreed upon. In connection with this, the writer prepared the Single Standard Creed and the Monetary Catechism in the following terms:—

#### THE SINGLE STANDARD CREED.

I. Gold and silver are the names which have been given in English to two metals which have become known as the precious metals.

II. In their refined condition preparatory to coinage, these two metals are products of human exertion of the same nature as other metallic products, such as iron, copper, tin, etc.

III. The cost of the production of these metals from mines, placers, or by washing beds of gravel is governed by the same general rules as other mining processes, varying in the amount of labor, capital, and skill or directing power required.

IV. The cost of the production of gold and silver has varied from period to period and will continue to do so. The relation or ratio of one to the other cannot be stated in any terms that are not liable to change in either short or long periods.

V. The supply and demand for these two metals are both governed by the same rule that governs all other products of human energy. Their purchasing

or exchangeable power with reference to each other and to other products has varied, and will continue to vary at different periods, in different countries, and in different sections, under the same influences which affect all products of human energy.

VI. The monetary use of these metals constitutes one of the principal elements of the demand for them. In order to fit them for monetary use, they are customarily coined, but are sometimes used for monetary purposes in the form of bars or ingots.

VII. Coinage consists in hardening the metal with a given amount of alloy, moulding it into round discs of fixed weight and quality, and in stamping these discs. This definition exhausts the word "coinage."

VIII. Coins exchange one for another in ratio to the amount of pure metal in each; in some countries this exchange is subject to slight variation where a charge for seigniorage is made for coining.

IX. The enactment or repeal of acts of legal tender may exert a temporary influence upon the demand for one metal or another for monetary purposes and may, for a short time only, slightly change the ratio of one metal to the other.

X. No acts of legal tender and no acts of coinage have ever established a stable ratio of one metal in its exchange for another. No act or treaty of legal tender, national or international, can ever force the circulation of one metal for the other at a fixed ratio. Gold and silver are two products of human energy, varying in cost, in supply, and in demand. Any effort to force them into use at a fixed ratio is an effort to establish the price of gold in terms of silver, or the price of silver in terms of gold. As this valuation or ratio is wholly independent of legislation, the effort to establish it by legislation must fail.

### THE MONETARY CATECHISM.

In framing this catechism it is assumed that the questions are to be answered with reference to what may be called normal conditions of trade; commercial and financial crises are regarded as exceptional conditions due to preceding variations from sound financial principles or practices, which may be regarded as the beginning of the process of cure.

1. Is the fiat or force of law, expressed in acts of legal tender, necessary to the use or circulation of every kind of money to which the name of money can be strictly applied, including coin made of gold; it being held for the purposes of this discussion that instruments of exchange are used as money which are merely obligations for the payment of true money?

2. Does not gold bullion, stamped and certified, serve the same purpose as coined money when held in reserve by banks or bankers or remitted in liquidation of international balances?

3. Is it not the purpose of the advocates of a bimetallic treaty, so called, to bring the force of legal tender provisions into international monetary exchanges? Would not the effect be to give debtors a choice in selecting the medium of payment upon international transactions, while depriving the creditor of the privilege of refusing whichever kind of coin may be tendered?

4. If exporting merchants and importing merchants, banks and bankers, should elect to draw bills of exchange in specific terms of gold by weight in pennyweights, grains or grams, to be liquidated only in such actual weight of



pure gold, or its equivalent, would not an international treaty of bimetallic legal tender be rendered substantially inoperative?

5. If imports and exports, especially of the excess of products of this country which cannot be consumed at home, should thus be held to the gold unit of value in specific terms of weight, would not the gold unit of value thereafter remain the standard of value of our cotton, grain, and provisions, and of the wool that we may import, and would not domestic prices, then, of necessity, be adjusted to this single or monometallic standard?

6. What are the leading articles of importance of which the price declined between 1873 and 1893, of which the cost of production or distribution has not also been diminished in substantially equal ratio to the reduction in price? In selecting articles, reference may be made to those which are included in Sauerbeck's tables, these tables being accepted by the advocates of both the so-called monometallic and bimetallic theories.

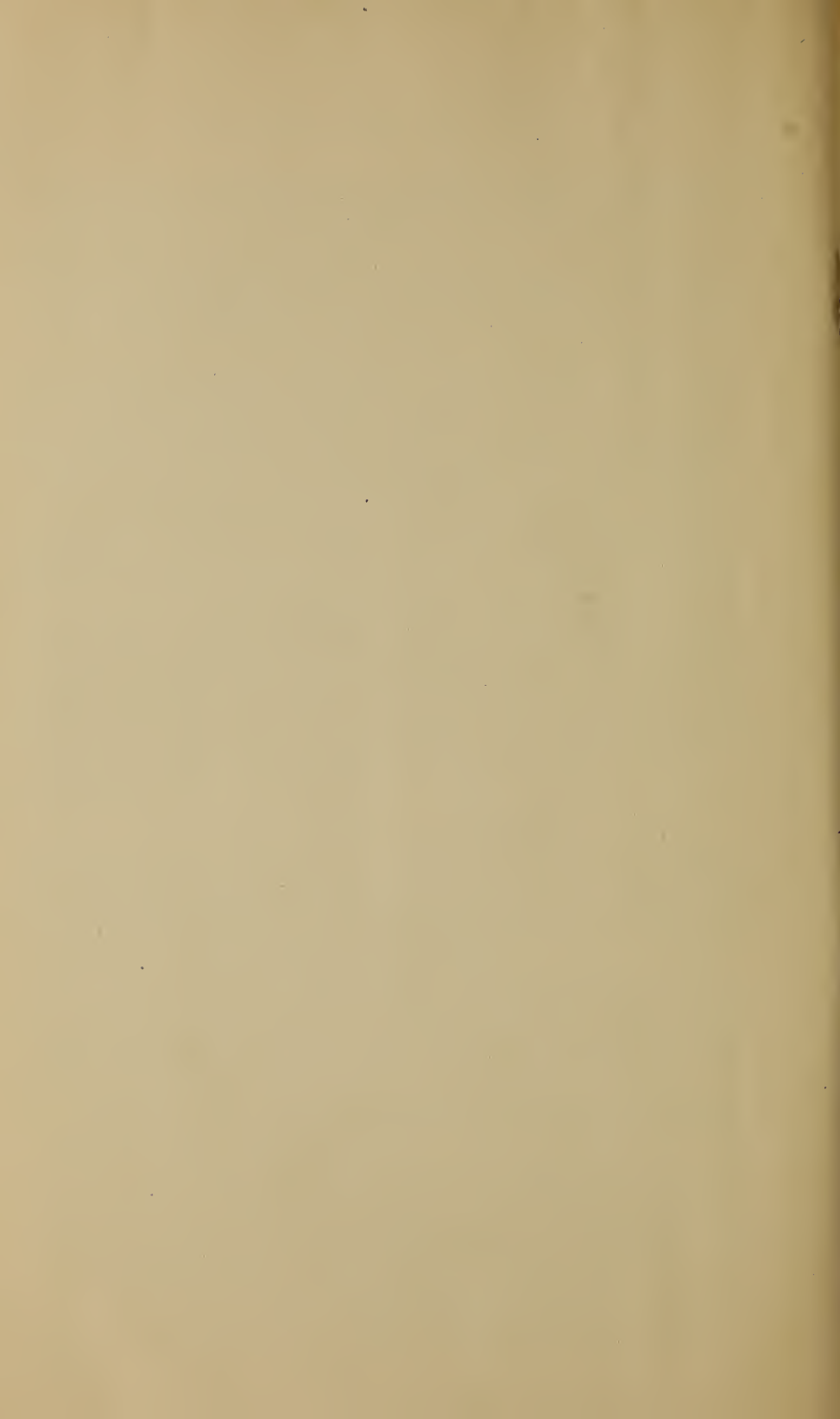
7. If the average reduction in prices is to be cited as an indication of the influence of the changed ratio of silver to gold, how is the lack of uniformity in the variations of prices during this period to be explained, — a few prices having risen, others having been diminished but little, while others have been reduced much more than the average reduction.

8. Admitting that there has been a somewhat general, but variable, reduction in prices of the necessaries of life between the years 1870 and 1893, is it not also true that there has been an even more steady and greater advance in the rates of wages, notably in the United States, subject to temporary fluctuations, and varying with the development of intelligence, skill, and aptitude in the several classes of those who constitute the working force in the ordinary sense in which that term is used? If the prices of the products of labor have been reduced under the influence of the changed ratio of silver to gold, why has not the price of labor been also influenced in the same manner?

9. During the period of the free coinage of silver by Germany and the Latin Union, at  $15\frac{1}{2}$  to 1 between 1846 and 1872-73 (taking the year 1846 as the starting point because it is the starting point of Sauerbeck's tables), why did not that policy tend to give greater stability to prices, with less fluctuation and variation than the Sauerbeck tables show, it being demonstrated by these tables that in the period antecedent to 1873 prices fell to nearly as low a point as they did subsequently prior to 1893, and were also subject to greater fluctuations than they have been since 1873, — the course of prices since 1873 having, on the whole, been steadily downward, in a measure closely corresponding to the improvements in the processes of production and distribution, especially to reduction in cost of transportation.

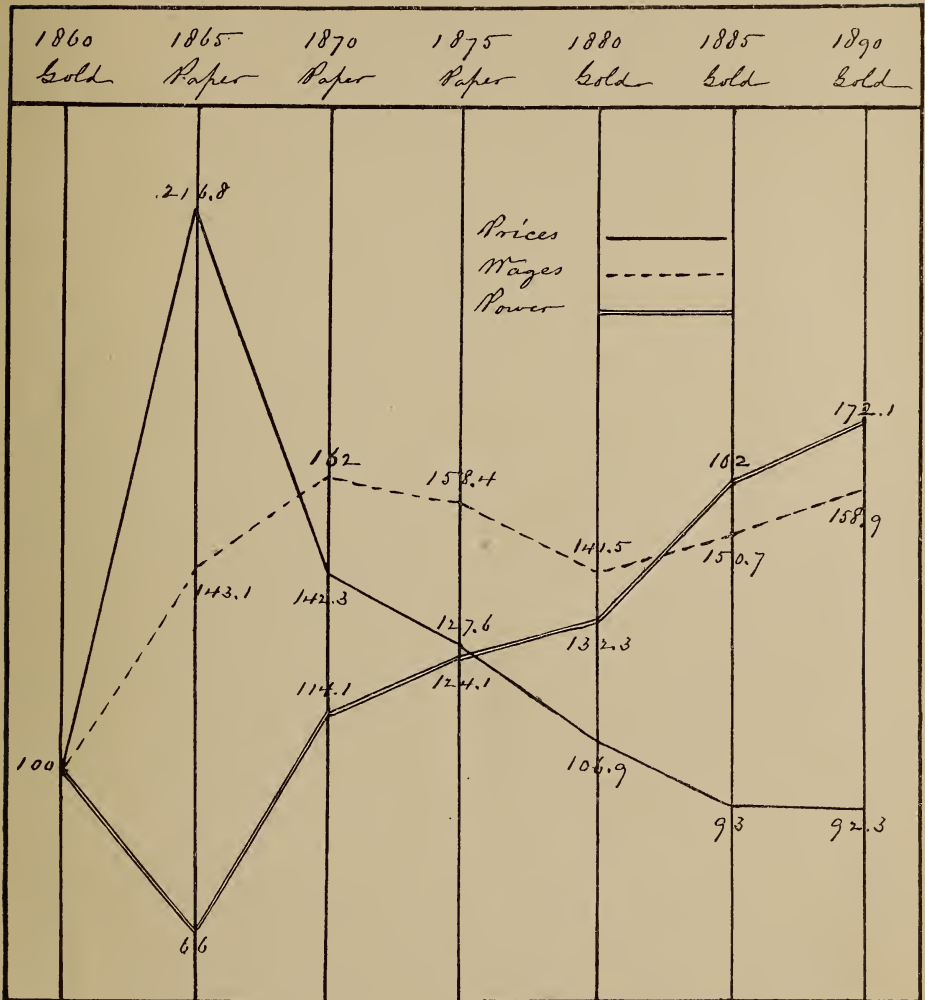
10. Could any legal tender act or treaty be justified which gives an option in the selection of the medium of payment or money metal to the debtor of which the creditor is deprived? Ought not a bimetallic system to be established consistently with justice for the free coinage of two new international coins, one made of gold and one made of silver, under new and separate names, to the end that each country may determine for itself what shall be the unit of value within its own limits, and also to the end that international commerce may be conducted in monetary terms by the titles of international coins made either of gold or of silver, all such contracts to be enforced and liquidated in the specific international coin named in each contract.

The writer awaits an answer to these questions.



# MONOGRAPH

SHOWING THE COURSE OF PRICES AND WAGES, AND  
THE PURCHASING POWER OF WAGES,  
1860 TO 1890, INCLUSIVE.



The malignant effect of a debasement of this monetary unit of value is witnessed by the low purchasing power of wages in 1865. The beneficent influence of adherence to the gold unit of value is witnessed by the lessening prices and constantly advancing wages from 1880 to 1890.

[Authority — *Senate Report on Prices and Wages*, compiled under the direction of Commissioner Carroll D. Wright. For full treatment, see *Forum* for April, 1895.]

